

ABSTRACT

This study aims to explore the contents and provide information on the extent to which internal audit disclosures in the annual report affect the audit fees of non-financial companies listed on the IDX in 2018. This analysis is also supported by several control variables namely company size, return on assets, inventory ratios and receivables from assets, number of subsidiaries, company losses, and the Public Accounting Firm used in the use of audit services.

Purposive sampling is a sample selection method used in this study to get a sample of 188 companies on the Indonesia Stock Exchange in 2018 which are further classified into 8 sectors. The analysis technique used is descriptive analysis and multiple regression. Internal audit disclosures are measured by calculating the score of information disclosure items displayed, further content analysis is carried out to identify specific internal audit disclosures then a categorical (dummy) scale is used, and audit fees are measured using the total audit fees stated in the annual report.

Based on the results of regression tests that have been carried out, internal audit disclosures have no effect on audit fees. Further content analysis was performed on each internal audit disclosure presented by each company, it was found that companies with specific internal audit disclosures have a negative influence on audit costs. The presence of six control variables tested also gave a significant effect on the increase in the coefficient of determination.

Keywords: audit fee, corporate governance, disclosure, internal audit